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QUARTERLY STATEMENT

AS OF MARCH 31, 2006
OF THE CONDITION AND AFFAIRS OF THE

Tennessee Behavioral Health, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	95780	Employer's ID Number	62-1621636
	(Current Period)	(Prior Period)				
Organized under the Laws of	Tennessee			State of Domicile or Port of Entry	Tennessee	
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Dental Service Corporation [] Vision Service Corporation [] Other [] Health Maintenance Organization [] Hospital, Medical & Dental Service or Indemnity [] Is HMO, Federally Qualified? Yes [] No []					
Incorporated/Organized	12/15/1995		Commenced Business	07/01/1996		
Statutory Home Office	222 Second Ave. N. Suite 220			Nashville, TN 37201		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	222 Second Ave. N. Suite 220			Nashville, TN 37201		615-313-4463
	(Street and Number)			(City or Town, State and Zip Code)		(Area Code) (Telephone Number)
Mail Address	222 Second Ave. N. Suite 220			Nashville, TN 37201		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	222 Second Ave. N. Suite 220			Nashville, TN 37201		615-313-4463
	(Street and Number)			(City or Town, State and Zip Code)		(Area Code) (Telephone Number)
Internet Website Address	N/A					
Statutory Statement Contact	Donnie Pennington			615-313-4463		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	drpennington@magellanhealth.com			615-313-4481		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact						
	(Street and Number)			(City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)		

OFFICERS

Name	Title	Name	Title
Russell C. Petrella	President	Andrew M. Cummings	Secretary

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Russell C Petrella	Mark S. Demilio
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State of Connecticut
County of Hartford ss Avon

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Russell C. Petrella
President

Andrew M. Cummings
Secretary

Subscribed and sworn to before me this

27th day of June 2006
Raymonde A. Pelletier

RAYMONDE A. PELLETIER
NOTARY PUBLIC
MY COMMISSION EXPIRES AUG. 31, 2008

- a. Is this an original filing? Yes [] No [X]
- b. If no,
1. State the amendment number 1
2. Date filed 07/07/2006
3. Number of pages attached 2

STATEMENT AS OF MARCH 31, 2006 OF THE Tennessee Behavioral Health, Inc.

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance	46,747,463	215,541,545
2. Net investment income	588,150	958,973
3. Miscellaneous income	0	0
4. Total (Lines 1 to 3)	47,335,613	216,500,518
5. Benefits and loss related payments	38,384,443	173,393,671
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	5,407,841	26,204,231
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	43,792,284	199,597,902
11. Net cash from operations (Line 4 minus Line 10)	3,543,329	16,902,616
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	0	2,600,000
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	0	2,600,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	2,600,598
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	2,600,598
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	0	(598)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	0	0
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	0	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17)	3,543,329	16,902,018
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	44,116,556	27,214,538
19.2 End of period (Line 18 plus Line 19.1)	47,659,885	44,116,556
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001. Conversion of debt to equity	0	0
20.0002. Assets acquired by assuming directly related liabilities	0	0
20.0003. Exchange of non-cash assets or liabilities	0	0

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of Tennessee Behavioral Health, Inc. ("TBH" or the "Company") have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance, which represents a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

Note 2 - Accounting Changes and Corrections of Errors

No significant change.

Note 3 - Business Combinations and Goodwill

No significant change.

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments

No significant change.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

No significant change.

Note 7 - Investment Income

No significant change.

Note 8 - Derivative Instruments

No significant change.

Note 9 - Income Taxes

For federal income tax reporting purposes, the Company's operations are included in Magellan Health Services, Inc.'s (Magellan's) consolidated federal tax returns. The Company files a separate state income tax return.

The Company maintains federal tax sharing arrangements with Magellan. Through these arrangements, Magellan has allocated \$1,553,282 of provision for income tax for the three months ended March 31, 2006. The current arrangement calls for an allocation based on Magellan's effective tax rate before reflecting the allocation and after effecting for permanent differences. This amount is included in the accompanying statement of revenue and expenses. Income taxes receivable and payable are included in due to affiliates in the accompanying statement of liabilities, capital and surplus.

Note 10 - Information Concerning Parent, Subsidiaries and Affiliates

The Company is a wholly owned subsidiary of Magellan Behavioral Health, Inc., which is directly owned by Magellan. The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.

Note 11 - Debt

No significant change.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No significant change.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 14 - Contingencies

No significant change.

Note 15 - Leases

No significant change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

No significant change.

Note 17C – Wash Sales – The Company had no Wash Sales during the quarter.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

No significant change.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

Note 20 - September 11 Events

No significant change.

Note 21 - Other Items

Effective January 2006, TennCare amended the risk sharing terms of the contract. TennCare will share in risks and gains only if the medical loss ratio is above ninety-one percent or below eighty-five percent. Otherwise, the contract is at full risk to the Company.

Note 22 - Events Subsequent

On April 7, 2006, TennCare issued a Request for Proposals (“RFP”) for the management of the integrated delivery of behavioral and physical medical care to TennCare enrollees in the Middle region by managed care organizations. TennCare has indicated that the start date of any such contract awarded pursuant to the RFP is expected to be April 1, 2007. The Company’s current contract to cover members in the Middle region runs through the June 30, 2007. Should the implementation of the integrated Middle region service delivery system occur prior to the expiration of the current contract term, the management of the Company believes that TennCare will amend the contract to assign the Middle region members to the new managed care organization.

On April 13, 2006, the Company retired the \$11,168,341 surplus note. The transaction was approved by the Department of Commerce and Insurance.

Note 23 - Reinsurance

No significant change.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

No significant change.

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 26 - Intercompany Pooling Arrangements

No significant change.

Note 27 - Structured Settlements

No significant change.

Note 28 - Health Care Receivables

No significant change.

Note 29 - Participating Policies

No significant change.

Note 30 - Premium Deficiency Reserves

No significant change.

Note 31 - Anticipated Salvage and Subrogation

No significant change.